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Industry 'Yes' to Hoffa Seen

By HARRY BERNSTEIN
Examiner Labor Editor

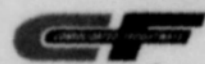
Trucking industry employers will not fight Teamsters President James R. Hoffa's plan for a nationwide master contract covering drivers for long distance and for hire local companies.

This was the prediction of Wade Sherrard, managing director of the California Trucking Association, who added that "the employers don't have much choice in the situation anyway."

Hoffa has announced plans to seek a nationwide contract when present pacts expire in 1961.

Contracts are now negotiated on an area basis, with the four "enclaves" or divisions of the Teamsters Union—Eastern, Central, Western and Southern—each representing a serious threat to every operator having an agreement with the Teamsters. Such nationwide contracts would obviously establish patterns and precedents that would seriously affect local operators. More seriously, industry unity or solidarity in any given area would be destroyed.

The FEC said "this pro-



DAVENPORT 6-1700

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ADMINISTRATIVE FILE
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SPEECH

By

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CALIFORNIA TRUCKING ASSOCIATIONS, INC. ANNUAL CONVENTION

HOTEL del CORONADO, CORONADO, CALIFORNIA

JANUARY 28, 1959

THE FUTURE OF COORDINATED TRUCK SERVICE

It is a real pleasure to be afforded the opportunity to review with you some of the background for, and current developments in, the trend toward provision of more real value for the shipper's transportation dollar, at greater profit to the carriers involved, through coordinated transportation.

Coordinated transportation, as the term will be used here, is the movement of goods from one place to another via carriers of different modes -- that is, currently, by more than one of airplane, barge, pipeline, rail, ship, or truck. Because of its inherent flexibility and other capabilities, and because of rapid changes in technology, the location of population, and the pattern of production and distribution in our country, trucks usually play a part in almost any coordinated movement. From all indications, it appears that this will be increasingly true in the future.

While coordinated transportation can be, and, in many cases, is being performed by carriers of different modes, competing with each other under common ownership and control -- so-called integrated transportation -- more widespread adoption of this practice is sharply limited by custom, statute and regulation. Legislation or other changes in this field appear so controversial that early resolution of the problems involved seems unlikely. To the extent that wholehearted cooperation and coordination may be delayed awaiting that determination, the public is denied the advantages of coordinated transportation, and the carriers are denied the opportunity to profit from bringing its benefits to the nation. In my opinion, no one gains from such a course.

The basic reasons for the strong differences of opinion on the merits of integrated transportation seem readily apparent. Most motor carriers, in common with many shippers, carriers of other modes and other students of transportation, believe that, in the past, the public interest has been best served through vigorous espousal of each mode by advocates who could and who would seek ways of improving service, reducing cost, improving equipment and facilities, and expanding that mode's role in the economy by every legitimate means. They feel that few carriers of one mode would actually have been both willing and able to pursue the development of carriers of another mode in competition with their own lines as vigorously and effectively as the best interests of shippers and the public now seem to have required.

Regardless of the merits of particular proposals -- and what carrier or group of carriers can presume to be truly able to judge them on the basis of the public interest alone -- they consider it improbable that a bus operator owning a competing air carrier would have pressed as vigorously and successfully for airways, landing fields, mail subsidies, and modern equipment as have the feeder airlines. They consider it equally im-

probable that rail lines would have spearheaded the drive for increased motor vehicle sizes and weights to benefit their competing motor carrier subsidiaries as vigorously as did the other highway carriers or that motor carriers with competing rail subsidiaries would have pressed as strongly for greater freedom in rate making as did the rail lines under independent management.

It seems to these students of transportation that much of the progress which has been made toward better service at lower overall cost has been the result of efforts by each mode to hew out a larger place for itself -- often against seemingly overwhelming odds. Surely there have been mistakes, they feel, but it appears far from certain to them that our present transportation pattern would have been developed by any other means -- and it appears to be widely accepted as the best, from the public point of view, in all the world. With this view of the past, they face a future which seems sure to witness swift and sweeping change in transportation with a perhaps understandable reluctance to quickly accept any sharp departure from the course they feel has served the nation and its transportation industry so well.

Recognizing the advantages which coordinated transportation offers -- the opportunities for all to gain -- and recognizing the fact that current legislation and regulations tend not only to permit but to encourage its rapid growth, to the benefit of all, it seems prudent to examine the progress which has been made, as a guide to the future; to put an end to delay awaiting possible modification of the restrictions upon integrated transportation; and to press forward wholeheartedly in an atmosphere of mutual trust and confidence to coordinate our efforts in every way beneficial to all those concerned -- especially to the economy of our country.

Some modes are physically unable to perform a service within the capabilities of another -- ships and barges cannot call at points beyond the water's edge -- trucks cannot be driven through the ocean. Others cannot economically justify their physical ability to serve every point and place, except where high volume is available. For example, few service stations or other users can support a direct pipeline, relatively few farms or stores a rail siding, few factories an airport, and relatively few communities the docks and other facilities required to safely and economically handle water-borne commerce -- but virtually all communities, places of production, distribution or use, can and do have, require, and support some type of truck service.

Many of them also have direct service by other modes whose costs, if objectively analyzed, might well be found so much greater than they could be by coordinated truck service that shippers, management, and stockholders would be astonished if the facts became available to them. The economies possible by other modes, where volume is, or could be, made available, are equally interesting and astonishing to thoughtful motor carriers, who have long sought true cooperation.

Rate reductions so great as to induce shippers to deny themselves the service and flexibility they really need, while narrowing carrier profits to the danger point; high cost operations to the detriment of carriers, shippers, and the whole economy; or rate publication which threatens harm to

all public transportation through encouragement of private carriage in its place, even for short distances, or through promotion of the use of basically uneconomic shipper groups or practices, appear to hold little promise for the nation, or its transportation industry, though they might well prolong methods and practices which may well have their base in inter-mode discord, and in lack of true cooperation, rather than in the public need, carrier profit potential, and sound economics. They might also, ultimately, lead to such weakening of some segments of the public transportation system as to induce subsidy, or even nationalization to the disadvantage of carriers who might then be faced with a most difficult competitive situation.

It is to be hoped that the progress which is being made will so hearten those progressive carriers who have already undertaken mutually profitable coordinated operations, in concert with carriers of other modes, that they will continue to expand those activities; that their success will encourage others to undertake them, and that the expansion of these mutually profitable and constructive activities will not only make the benefits of coordinated transportation available to all, but will also slow the continued dedication of costly assets to uneconomic employment -- in an effort to return the past, or maintain the status quo.

Shippers appear to want and need a through bill of lading and known full cost of door-to-door transportation service -- which they are unable to obtain, if more than one mode is involved, except in a relatively few situations, unless through an intermediary who purchases the transportation for them, and exacts a profit for doing so.

The desire frequently impels their use of single mode transportation, when the total cost of coordinated transportation would be materially lower, if it were to be provided. The same seems true of the desire and need for speed and flexibility, which could often be provided at lower total cost through coordinated transportation service.

These factors alone may have a substantial adverse effect upon those who are reluctant to engage in true coordinated transportation because of so-called "invasion of territory" -- in effect, for fear of competition with carriers of the same mode. Review of this situation might well convince the impartial observer that these basic reasons do not fully justify the higher overall cost of transportation, the less than fully satisfactory service and the substantially increased total national inventories of goods in transit, which result.

Perhaps the best current example of coordinated transportation in this area is provided by the service to Alaska in which our company participates. Starting eight years ago, with trailers moving via steamship, rail, and road, this service has steadily expanded in scope, and in usefulness to the people of our newest and largest state. It has been gradually changed from trailers to containers, which can be quickly converted to trailers for highway movement, and which can be double-decked on the decks of the vessels in the Alaska trade. These containers, loaded at points served by motor carrier from the Port of Seattle, move without transfer of lading via ship, to the port in Alaska, by rail to concentration points in

the "rail belt" area, or by ship or barge to coastal points, thence as trailers to destination where roads exist, or by landing craft, sled, or other appropriate means, where they do not. Relationships between the carriers involved have been most cordial, cooperation excellent at all levels, and volume steadily increasing, to the profit of all who are participating.

We also participate in more recently established regular service to Guam and Hawaii, on the same through-bill-of-lading, known-full-cost-of-door-to-door-transportation-basis, though, as in all transportation involving both Interstate Commerce Commission and Federal Maritime Board regulated carriers, such arrangements are limited, pending possible legislation to facilitate their greater availability, and more widespread use. Regular movements of limited commodities are also being conducted in other areas, both in the Atlantic and in the Pacific, and experimental movements of additional commodities are being conducted with increasing frequency in more and more parts of the world. These activities are steadily increasing in importance as new relationships are developed, problems identified, and workable solutions found. With the potential growth in world trade, such operations appear to hold great promise for the economy of our country, as it faces the increasing competitive capabilities of others.

In the Middle West, meanwhile, we are making real progress toward provision of a truly coordinated truck-rail transportation service -- in concert with the Rock Island Railroad, which has a most progressive and far-sighted management, and a fine organization with which to work. Joint through rates and routes are already in effect on a limited basis, and more are in prospect, aimed at facilitating the distribution of, and broadening the markets for, the products of that area by providing a low overall cost, fast and flexible transportation service not heretofore available to the shippers there. Concentrating upon traffic which either has not moved by public transportation or has not moved at all, we can and do move loads from origin to the yards where trains are assembled for line operations, or from those yards to the consignee's door in much less time and at lower overall cost than can the railroad. Our proportion of the through rate returns a profit to us, yet is at a level below the actual total cost to the rail lines for providing the same service -- with the result that, through our operating profit and their avoidance of an operating loss, both benefit from the move. So does the shipper, through availability of a service which he wants and needs in the conduct of his business, a through-bill-of-lading service on a through rate without re-handling of his goods.

Our studies over a considerable period indicate that motor carriers can usually move almost any commodity, in almost any quantity, between almost any two points not more than 100 miles apart, at a lower overall cost than can a railroad. Where more than one rail line is involved, the cost differential appears to be even greater. The distance also appears to be greater where service requirements or availability of volume make it difficult to assemble trainloads of profitable size at the right time. The opportunities for mutual profit, for improved, more responsive, more flexible service, and for overall cost reduction, thus

afforded, are of very great magnitude. Their scope is greatly broadened by the use of piggyback or fishyback, in which trailers are carried on rail cars, ships and barges without transfer of lading, and is broadened even more by containerization, in which a box may be transported interchangeably on trailer wheels, on rail cars, on ships and barges, or by air.

In a very high percentage of the coordinated movements which offer such great opportunities to better serve the nation, the truck, with its access to the shipper's place of business, and to the consignee's door, is the common denominator which, in effect, controls the physical dimensions of the transportation equipment and facilities involved. So long as truck widths are limited to eight feet overall, it seems certain that containers will be similarly limited, no matter where they may be used. The same holds true of height, weight and length, all of which must of necessity reflect the limitations imposed upon motor carriers by the several states. It is not inconceivable that these facts may ultimately result in a concerted effort by all modes, perhaps through the constructive activities of the Transportation Association of America, to obtain a greater measure of standardization of motor vehicle size and weight limitations in order to avoid needless loss through obsolescence which might well substantially effect carriers of almost every mode.

It may interest you to know that our company is today participating in joint through rates with a number of air and water carriers, and that 10 railroads are currently offering us, or have advised us of their intention to offer, piggyback movements on a substituted service basis at charges profitable to them, but materially below our point-to-point costs by highway. At least as many more are offering similar service to motor carriers in other areas. Here in the West, we are regularly using the services of the Southern Pacific in this way. We have found them fine people with whom to work at all levels, willing to change their schedules to meet our needs, where volume justifies, and determined to make our joint endeavors mutually profitable. We feel no fear whatsoever that they might betray our confidence.

There remain many problems to be resolved, as all of you know, and the road ahead will surely not be easy, but we are convinced that coordinated transportation offers opportunity to make a major contribution to the economy of our country, and to profit our industry, our people, our shippers, and our stockholders by doing so. We believe that all progressive and responsible motor carriers have similar opportunities, and that they will find their efforts in this field equally rewarding. We look forward to the opportunity to be helpful to them and to act in concert with them as appropriate. The important thing, it seems to us, is to approach the future with determination to work with others in an atmosphere of mutual trust and confidence, joining with them wholeheartedly, and working as equals in a joint effort to contribute to the welfare of all.

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